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Subject: RE: TEFRA and Self-Employment Tax

Under Olsen-Smith v. Commissioner, T.C. Memo. 2005-174, the allocation and gross amount of trade or business income potentially subject to self-employment tax is determined at the partnership level but not its ultimate taxability which would be determined following the partnership proceeding by aggregating all self-employment income. Thus, in your TEFRA partnership proceeding you should determine the amount of self-employment income allocable to each partner.